Centralized Sustainment Contracts

(Corporate Spare and Repair Contracts)

Overview

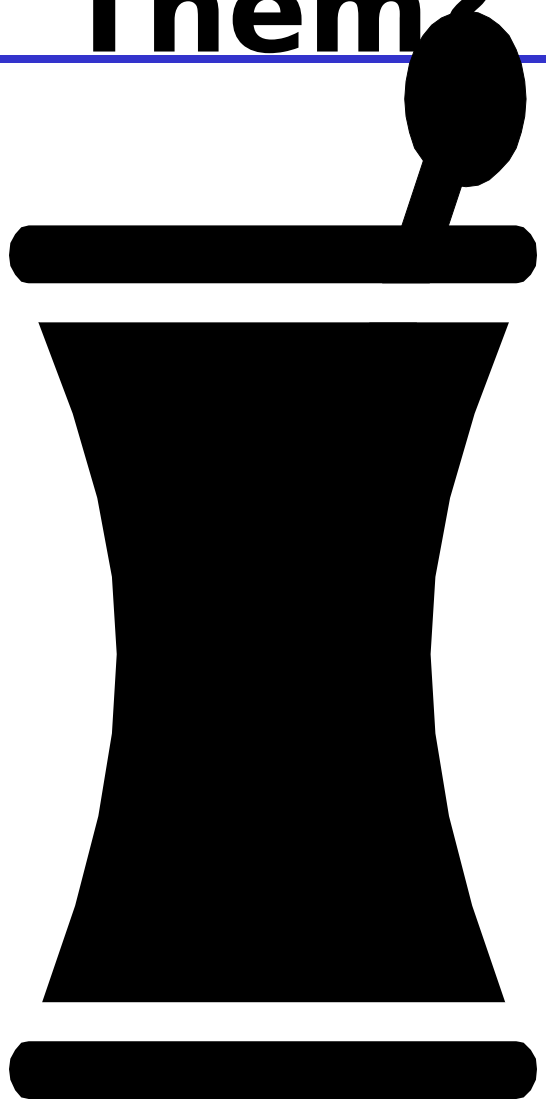
- Background
  - What are Corporate Contracts?
  - Why are we using them?
  - Who directed?
- Recent Guidance and Direction
- Implementation/Deployment
  - Strategic Plan
  - Training

What are Corporate Contracts?

- A long-term contract with **pre-established pricing processes** that **consolidates requirements** with a single contractor and allows for **decentralized ordering**. The contract may include requirements from other customers (inter and intra-service) and will normally be with a single contractor's manufacturing or repair location.

Why are We Using Them?

- Government:
  - Efficient use of resources
  - Improve Cycle Time
  - Leverage buying power reduces costs
  - Improve Support
  - Best Value



- Contractor:
  - Efficient use of resources
  - Insight into government forecasts
  - Greater production efficiencies

Who Directed?

Jointly sponsored initiative

AFMC/CC and SAF/AQ embrace initiative

+

Joint Contracting for Depot Repair of Secondary Items IPT (Aug 98)

- **USD (A&T) required IPT and one contract from each Service**

Recent Guidance/Direction

- Initial focus on sole source has been expanded to include competitive
  - Sole Source preference is horizontal consolidation, i.e. all Boeing spares - not weapon system, i.e. B-1 specific
  - Competitive looking at consolidating by FSC, PGM, MGM
    - Working issues with “bundling” and small business

Implementation/Deployment

- ALCs identified initial candidates; more to follow
- Developing a Command Strategic Plan: ECD Aug 99
- Deploying Training
  - Executive Session
  - Workshop

Corporate Contract Candidates

Center	Category			Contractor	System	Customers
	Spare	Repair	Joint			
OC	X	X	X	Allied Signal	Aerospace Equipment	OC, SA, Army,
OO		X		Primex	Automated Test Equip	Navy OO, OC
WR	X			Boeing	Airframe Spares	WR, OC, Navy
		X*	X*	Sikorsky	Gearboxes & Rotorheads	Navy, WR

* Navy is Lead

Strategic Plan

Corporate Contracts

- Analysis to date accomplished using RPOW
- Sole Source: Identified 12 Contractors who have 50% of our forecasted requirements in RPOW
- Competitive: First cut at FSC
  - 60% of the cost of the three-year requirement is for jet engines
- Working with XP-SAO to identify other approaches
- Contacted major industry partners:
  - Boeing, General Electric, Lockheed Martin, Northrop Grumman, Pratt & Whitney, Raytheon, TRW

Strategic Plan Back-up

Company	%	ALC
P&W	19.6	SA/OC
GEAC	12.6	SA/OC
Sikorsky Aircraft	2.1	WR/SA/OO/OC
Boeing	1.8	OO/OC/SA/WR
LKM Industries	1.6	OC
Sargent Fletcher	1.6	OO/SA
Lockheed Martin	1.5	OO/SA/WR/OC
Joint Elect Type	1.4	SA/SM/WR
McDonnel Douglas	1.3	OO/SA/OC/WR
Jet Engine Technology	1.0	OC
Middleton Aerospace	1.0	OC
Allison Engine	1.0	SA
General Motors	1.0	SA

Strategic Plan Back-up

Corporate Contracts

FSC	Description	%
2840	Jet Engines	58.78
1560	Airframe Components	8.71
2915	Engine Fuel Systems	4.20
5895	Communications	2.98
1620	Landing Gear	2.90
1615	Gearboxes	2.58
1680	Aircraft Accessories	1.96
1630	Wheels and Brakes	1.66
2620	Tires	1.45

Corporate Contracting Training

- Executive Session - “you’re seeing it!”
- Workshop Session
  - Real time application to a Corporate Contract
  - 1 ½ days
  - Facilitated by multi-functional team
  - Uses workbooks and corresponding briefing charts
  - At the conclusion the team will have much of the acquisition strategy developed

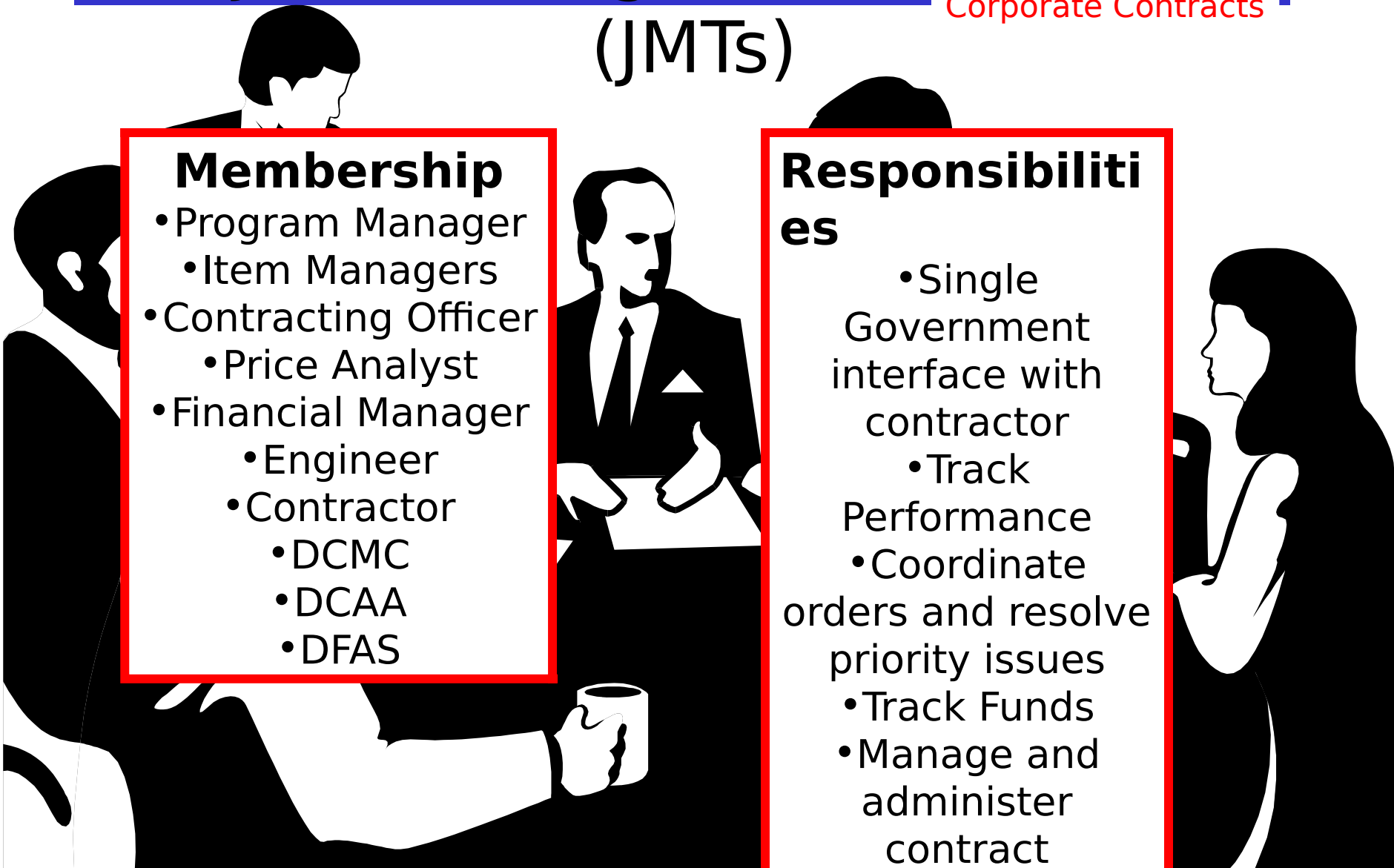
Corporate Contracting Training

- Workshop and Workbook address:
  - Organization
  - Requirements Consolidation
  - Acquisition Strategy
  - Contract Strategy
  - Ordering
  - Administration
  - Metrics

Organization

Joint Management Teams (JMTs)

Corporate Contracts



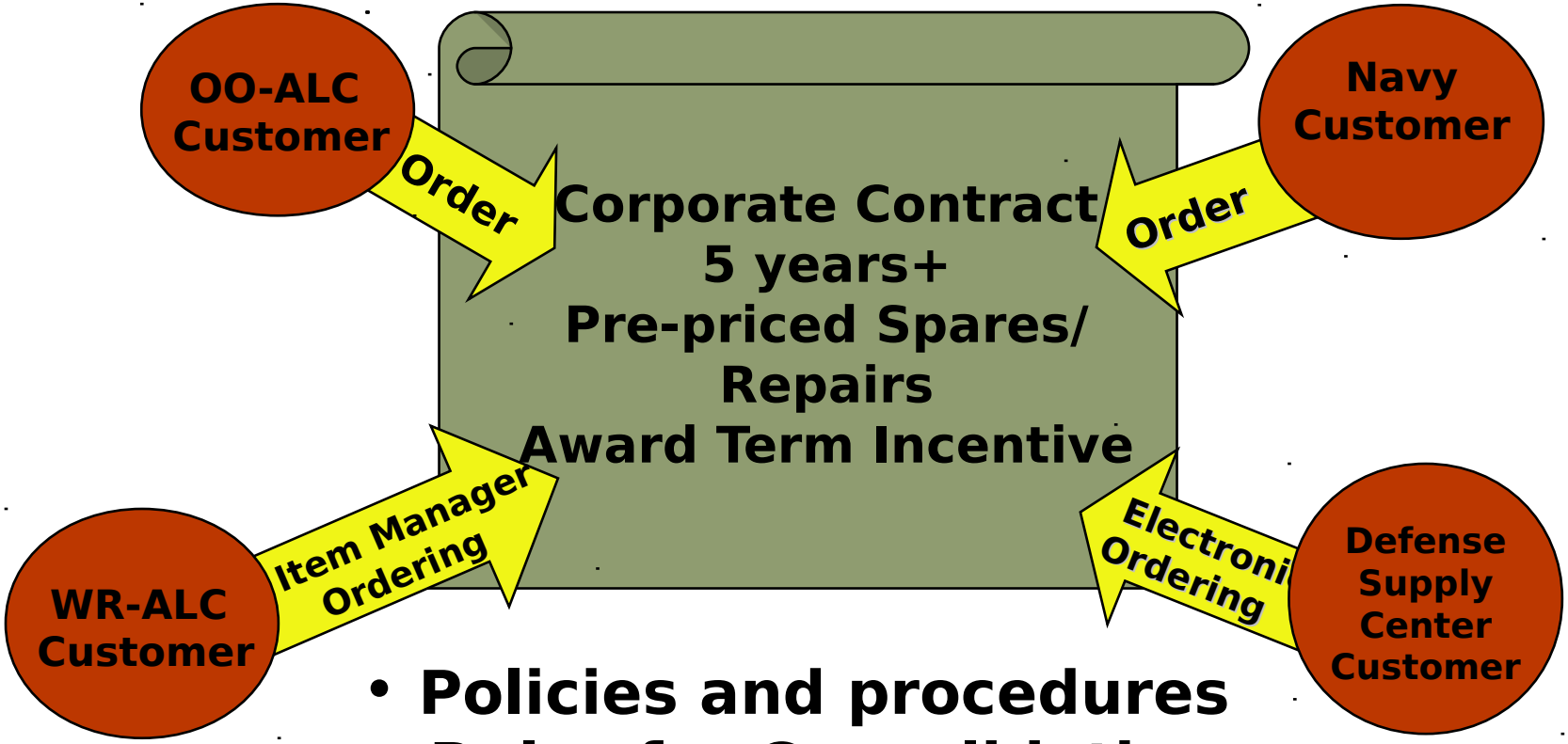
Membership

- Program Manager
- Item Managers
- Contracting Officer
- Price Analyst
- Financial Manager
- Engineer
- Contractor
- DCMC
- DCAA
- DFAS

Responsibilities

- Single Government interface with contractor
- Track Performance
- Coordinate orders and resolve priority issues
- Track Funds
- Manage and administer contract

Requirements Identification & Consolidation



- Policies and procedures
- Rules for Consolidation
- Use of RPOW

Acquisition Strategy

Corporate Contracts

- Application and Preparation of:
  - Acquisition Plans
  - Acquisition Strategy Panels
  - Class J&As

- ASP Template
- Innovative approaches to reducing lead-time
  - Innovative Financing
  - Induct before Ordering
  - Materiel Lay-in
  - Tiered Delivery
  - Incentives

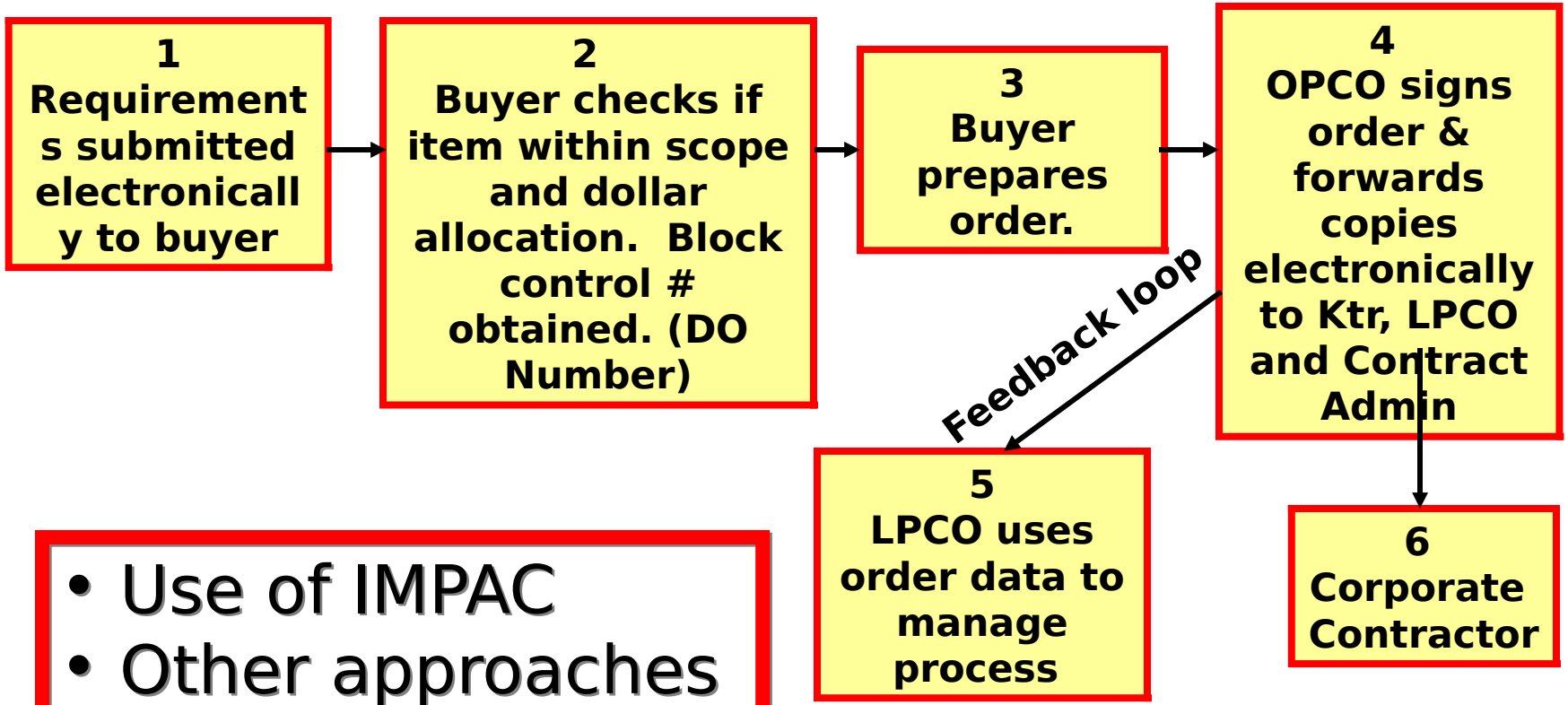
Contracting Approach

- **Contract Structure**
  - Multiple Year Contracts - 5 - 10 yrs
  - Indefinite Delivery Contracts
    - Indefinite Quantity
    - Requirements
- Contract Types
  - Fixed Price
- Special T&Cs
  - Decentralized Ordering
  - Advance Releasing
  - Pricing Methodology
  - Commercial
- Pricing
  - Use of IPT Pricing

Ordering

Corporate Contracts

Decentralized Ordering Process


1
Requirements submitted electronically to buyer
2
Buyer checks if item within scope and dollar allocation. Block control # obtained. (DO Number)
3
Buyer prepares order.
4
OPCO signs order & forwards copies electronically to Ktr, LPCO and Contract Admin
Feedback loop
5
LPCO uses order data to manage process
6
Corporate Contractor

- Use of IMPAC
- Other approaches to streamline ordering

Contract Administration

- Joint Management Team plan early for contract administration
- Include contractor and DCMC
- Discuss:
  - Inspection and Acceptance
  - Tracking Performance
  - Financial
  - Metrics

Conclusion

- Concept is sound and proven
  - Identified as an industry best practice
  - Benefits are known
- Feedback is welcomed through this team!
  - Lt Col Lisa Anderson, DSN 787-9432
  - Mr Roger Crompton, DSN 986-0815
  - Mr Karl Heiland, DSN 787-6863
  - Maj David Hincks, DSN 986-0316
  - Mr Kurt Jackson, DSN 787-5354
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